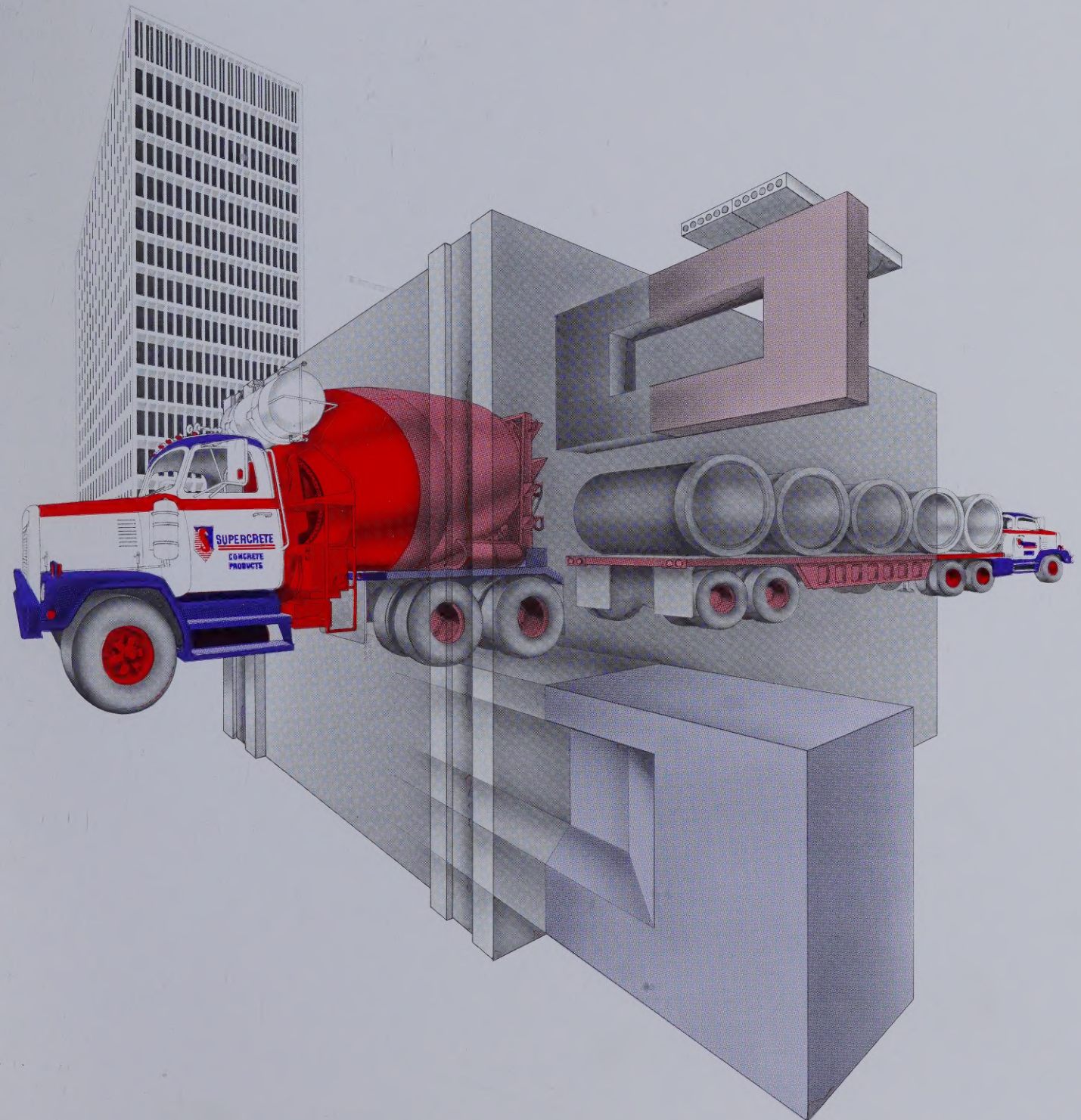


Annual Report 1971

SUPERCRETE LTD.



SUPERCRETE LTD.

HEAD OFFICE – 222 PROVENCHER AVENUE, WINNIPEG, MANITOBA

OFFICERS *President*, FRANK M. FOWLER, P. ENG.
 Vice-President, J. HENRY BORGER
 General Manager, FRED DUNSMORE, C.A.
 Secretary-Treasurer, ERNEST REIMER, C.A.

DIRECTORS J. HENRY BORGER
 FRANK M. FOWLER, P. ENG.
 CHARLES SCHWARTZ, JR.
 D. A. THOMPSON, Q.C.
 BRIAN WHITFIELD, P. ENG.

TRANSFER AGENTS AND REGISTRARS MONTREAL TRUST COMPANY
 Winnipeg, Canada
 THE BANK OF NEW YORK, New York, U.S.A.

TRUSTEE FOR DEBENTURE HOLDERS MONTREAL TRUST COMPANY
 Winnipeg, Canada

SOLICITORS THOMPSON, DEWAR, SWEATMAN

AUDITORS PRICE WATERHOUSE & CO.

NEWS RELEASESUPERCRETE LTD.

	<u>1971</u>	<u>1970</u>
<u>Quarter ended June 30</u>		
Per Share Earnings (after taxes)	\$ <u>.087</u>	\$ <u>.056</u>
Sales	<u>\$2,560,000</u>	<u>\$1,709,000</u>
Net Income Before Tax	\$ 316,000	\$ 203,000
Provision for Income Taxes	\$ 172,000	\$ 111,000
Net Income	\$ <u>144,000</u>	\$ <u>92,000</u>
<u>6 Months ended June 30</u>		
Per Share Earnings (after taxes)	\$ <u>.064</u>	\$ <u>.036</u>
Sales	<u>\$3,645,000</u>	<u>\$3,222,000</u>
Net Income Before Taxes	\$ 230,000	\$ 134,000
Provision for Income Taxes	\$ 125,000	\$ 74,000
Net Income	\$ <u>105,000</u>	\$ <u>60,000</u>

The Company's operations are seasonal in nature and the results of the first 6 months' operations are often not representative for the year.

To Supercrete Shareholders:

The consolidated financial statements of your Company and its subsidiary for the year ended December 31, 1971 are submitted, together with the auditors' report.

The results of 1971 operations were extremely gratifying. After providing for depreciation of \$413,185, the net earnings for the year amounted to \$421,387 (26c per share), an increase of 40% over 1970 earnings of \$300,944 (18c per share). Sales in 1971 amounted to \$8,650,639 as compared to 1970 sales of \$7,312,759, an increase of 18%. The amount of work on hand carried into 1972 is far in excess of that carried forward in any previous year. We are forecasting a further improvement in results for 1972.

The consolidated statement of source and application of funds reflects an increase in working capital of \$261,655 to \$1,613,345. This substantial increase in working capital is particularly significant in view of the elimination of all term indebtedness during the year and a substantial expenditure of funds for the acquisition of a pipe company in Edmonton.

On December 13, 1971, your Company acquired all of the issued and outstanding shares of Concrete Drainage Pipe (Edmonton) Ltd., a medium-sized concrete pipe manufacturer serving the northern Alberta market area. Your Company's precast operations in Edmonton, which were acquired in 1970, were merged with those of the pipe company. In January, 1972, the name of Concrete Drainage Pipe (Edmonton) Ltd. was changed to Supercrete (Alberta) Ltd.

The balance sheet of Concrete Drainage Pipe (Edmonton) Ltd. is consolidated with that of Supercrete Ltd. as at December 31, 1971. However, its operating profit has not been included in the consolidated statement of earnings and retained earnings now presented.

Construction of a new pipe plant and other improvements to plant facilities in Edmonton estimated to cost approximately \$400,000 has commenced and is scheduled to be completed in May, 1972. The acquisition of the pipe company, coupled with the new plant and improved precast production facilities, will enable your Company to effectively serve the northern Alberta construction industry.

In March, 1972, Mr. Alexander Robertson tendered his resignation as Vice-President and Director of the Company following the sale by The Winnipeg Supply & Fuel Company, Limited of its interest in Concrete Holdings Limited (parent company of Supercrete Ltd.) to the remaining shareholders of Concrete Holdings Limited. His resignation was accepted with regret.

There will be submitted for approval of the shareholders a by-law passed by the Board of Directors reducing the number of Directors from six to five.

The Directors are most grateful to the employees and customers for their valued and continued contributions to the welfare of your Company.

On Behalf of the Board

FRANK M. FOWLER,
President.

Price Waterhouse & Co.

chartered accountants

2200 One Lombard Place Winnipeg 2 Man. (204) 943-7321 Telex 07-587728

February 25, 1972

AUDITORS' REPORT

To the Shareholders of
Supercrete Ltd.:

We have examined the consolidated statements of earnings and retained earnings and source and application of funds of Supercrete Ltd. and its subsidiary company for the year ended December 31, 1971 and the consolidated balance sheet as at that date. Our examination was made in conformity with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the results of their operations and the source and application of their funds for the year ended December 31, 1971 and the financial position of the companies as at that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A stylized, handwritten signature in dark ink that reads "Price Waterhouse & Co." in a cursive script.

Chartered Accountants

SUPERCRETE LTD. *and its subsidiary company*

Consolidated Statement of Earnings and Retained Earnings

For the Year Ended December 31, 1971

	<u>1971</u>	<u>1970</u>
Net sales and other income	<u>\$8,650,639</u>	<u>\$7,312,759</u>
Costs and expenses:		
Cost of sales, exclusive of depreciation, depletion and amortization shown below	6,750,430	5,601,849
Selling, general and administrative expenses	626,499	614,478
Depreciation, depletion and amortization	413,185	429,489
Interest on long-term debt	—	13,699
	<u>7,790,114</u>	<u>6,659,515</u>
Earnings before income taxes	<u>860,525</u>	<u>653,244</u>
Income taxes:		
Current	387,338	34,700
Deferred	51,800	317,600
	<u>439,138</u>	<u>352,300</u>
Net earnings for the year (note 1)	421,387	300,944
Retained earnings at beginning of year	2,602,351	2,433,159
Dividends paid (8c per share)	(131,898)	(131,752)
Retained earnings at end of year	<u>\$2,891,840</u>	<u>\$2,602,351</u>
Earnings per share	<u>\$ 0.26</u>	<u>\$ 0.18</u>

SUPERCRETE LTD. *and its subsidiary company*

Consolidated

DECEMBER 31, 1971

ASSETS

CURRENT ASSETS:

	<u>1971</u>	<u>1970</u>
Cash	\$ 94,531	\$ 20,184
Investments, at market value	18,298	—
Accounts receivable	1,590,766	1,151,417
Inventories (note 2)	1,103,592	1,110,845
Prepaid expenses	16,090	15,105
	<u>2,823,277</u>	<u>2,297,551</u>
PROPERTY, PLANT AND EQUIPMENT — at cost (note 3)	8,997,566	8,328,626
Less: Accumulated depreciation, depletion and amortization	5,630,804	5,067,265
	<u>3,366,762</u>	<u>3,261,361</u>

Approved by the Board:

J. HENRY BORGER, *Director*

BRIAN WHITFIELD, *Director*

\$6,190,039

\$5,558,912

Balance Sheet

1, 1971

LIABILITIES

	<u>1971</u>	<u>1970</u>
CURRENT LIABILITIES:		
Bank loans, secured	\$ —	\$ 336,000
Accounts payable and accrued liabilities	687,886	404,545
Current instalments of long-term debt	—	72,716
Income taxes payable	375,646	34,700
Deferred income taxes	<u>146,400</u>	<u>97,900</u>
	<u>1,209,932</u>	<u>945,861</u>
DEFERRED INCOME TAXES	<u>332,367</u>	<u>254,800</u>
LEASE COMMITMENTS (note 4)		

SHAREHOLDERS' EQUITY

CAPITAL STOCK:		
1,649,833 2/3 common shares — par value 75c each		
(authorized — 1,666,666 2/3 shares)	1,237,375	1,237,375
CONTRIBUTED SURPLUS	518,525	518,525
RETAINED EARNINGS	<u>2,891,840</u>	<u>2,602,351</u>
	<u>4,647,740</u>	<u>4,358,251</u>
	<u>\$6,190,039</u>	<u>\$5,558,912</u>

SUPERCRETE LTD. and its subsidiary company

Notes to the Consolidated Financial Statements

December 31, 1971

1. PRINCIPLES OF CONSOLIDATION:

All of the shares of the subsidiary company were purchased in December 1971. The assets and liabilities of the subsidiary have been included in the attached consolidated balance sheet, but no part of the subsidiary's net earnings for 1971 or of its income and expenses have been included in the attached consolidated statement of earnings, as control was deemed to be acquired as at the year end. The inactive subsidiary companies previously included in the consolidated accounts have no assets or liabilities other than advances to Supercrete Ltd. and are no longer included in these financial statements.

2. INVENTORIES:

	<u>1971</u>	<u>1970</u>
Finished goods and merchandise	\$ 430,917	\$ 386,224
Raw materials and manufacturing supplies	369,380	415,084
Plant supplies and spare parts	104,287	116,858
Incomplete contracts, at cost less \$282,240 progress billings (1970 - \$188,829)	199,008	192,679
	<u>\$ 1,103,592</u>	<u>\$ 1,110,845</u>

Finished goods and raw materials are stated on the basis of the lower of average cost and estimated realizable value. Merchandise, supplies and spare parts are stated on the basis of the lower of cost, on a first-in first-out basis, or replacement cost.

3. PROPERTY, PLANT AND EQUIPMENT:

	<u>1971</u>	<u>1970</u>
Land	\$ 482,254	\$ 355,101
Gravel and sand pits	253,100	258,151
Buildings	1,046,933	1,022,240
Machinery and equipment	5,540,076	5,226,500
Moulds, dies, jigs and fixtures	1,190,947	911,422
Construction in progress	5,970	76,926
Leasehold improvements	478,286	478,286
	<u>8,997,566</u>	<u>8,328,626</u>
Less: Accumulated depreciation, depletion and amortization	5,630,804	5,067,265
	<u>\$ 3,366,762</u>	<u>\$ 3,261,361</u>

4. LEASE COMMITMENTS:

The Company is committed under property lease agreements for periods up to eleven years at a minimum annual rental of \$103,500 with options to renew certain leases for further periods up to 29 years at varying rentals.

5. Accounts receivable and inventories are pledged as security against any bank indebtedness incurred.

6. Information required by statute:

Directors' fees — \$4,500, paid to three of the six directors.

Remuneration of officers:

Three who are directors — nil

Two who are not directors — \$38,931

Consolidated Statement of Source and Application of Funds

For the Year Ended December 31, 1971

Funds were provided by:

Operations —

	<u>1971</u>	<u>1970</u>
Net earnings for the year	\$ 421,387	\$ 300,944
Depreciation, depletion and amortization	413,185	429,489
Increase in non-current portion of deferred income taxes — \$77,567, less amount brought into the consolidated statements by the subsidiary company — \$74,267	3,300	219,700
	<u>837,872</u>	<u>950,133</u>

Funds were applied to:

Purchase of the subsidiary company — cost of shares, less working capital of the subsidiary company at date of acquisition

Expenditure on property, plant and equipment (net)	96,933	—
Reduction of long-term debt	347,386	765,987
Dividend paid	—	73,960
	<u>131,898</u>	<u>131,752</u>

Increase (decrease) in working capital

	<u>576,217</u>	<u>971,699</u>
	<u>\$ 261,655</u>	<u>\$ (21,566)</u>

